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Governor Granholm Signs Budgets That Preserve Major Sources of Funding for Education & Health Care

LANSING – Governor Jennifer M. Granholm today signed into law a supplemental appropriations bill for the state's school aid budget for fiscal years 2003 and 2004. She also signed the fiscal year 2004 budget for the Department of Community Health. Signing the bills represent a "budget mission accomplished" for Governor Granholm, who made it her top goal to maintain funding for education and health care despite a nearly \$2 billion deficit.

"As I toured the state, time and time again, citizens told me their top priorities are the education of our children and health care services for our most vulnerable," said Governor Granholm. "Although we reduced spending in state government by nearly \$1 billion, we were able to preserve the priorities people deemed most important, without raising taxes. We had to make difficult choices, but in the end our goal was to protect education and health care – we did both."

School Aid

For fiscal year 2004, total spending is set at \$12.5 billion, which includes \$11.2 billion in state funds and \$1.3 billion in federal funds. Because previous school aid bills have already been enacted for fiscal years 2003 and 2004, House Bill 4401 is considered a supplemental bill for both fiscal years.

The highlight of the School Aid budget is the preservation of the \$6,700 per pupil foundation allowance from current year levels. Because the foundation allowance provides over 85% of state K-12 funding, given the economic climate, maintaining the funding is considered a major accomplishment. In addition, consistent with Governor

Granholt's recommendation, funding for at-risk programming will be maintained at current year levels of \$314.2 million.

Another major accomplishment was the creation of the School Aid Rainy Day Fund, which Standard & Poor's recently credited as instrumental in maintaining Michigan's AAA bond rating. Year-end balances in the school aid fund will be transferred into the new School Aid Rainy Day Fund. In addition, the bill transfers one half of the projected general fund surplus at the end of fiscal year 2004 (\$73 million) into the new fund. The new fund provides for an automatic appropriation to prevent proration if the State Treasurer declares a revenue shortfall.

"The School Aid Rainy Day fund will go a long way to ensure that schools will not have to suffer the drastic proration cuts which occurred earlier this year," said Governor Granholt.

Other notables in the K-12 bill include:

- funding for the school readiness 4-year-old preschool program will be maintained at \$72.8 million – along with the \$12.3 million for the program in the Department of Education's budget, a total of over \$85 million will be available to help prepare children for the future;
- appropriations of \$22 million in state funding and \$17.3 million in federal funds for the Freedom to Learn Program;
- \$3.3 million for the Governor's 0-5 ISD early literacy and parent involvement program;
- \$30 million for vocational education; and
- \$26.6 million for small class size funding, which is maintained at current year levels.

Because House Bill 4401 is a supplemental appropriations bill for fiscal year 2004, any veto will restore funding to current levels. Because the legislation presented to the Governor did not include the \$15 million supplemental payment to the Detroit Public Schools, for instance, Governor Granholt vetoed the zero appropriation, restoring the \$15 million for the district for the coming fiscal year.

Community Health

This budget appropriates \$9.49 billion, \$2.56 billion general fund, an amount that represents a significant commitment to the health of Michigan's citizens.

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"While most states have cut or restructured Medicaid eligibility, Michigan has maintained critical services to our low-income families, elderly and the disabled," said Governor Granholm. "We also expand vital services that provide critical prescription drug assistance; continue limited medical and mental health benefits for caretaker relatives; and provide new family planning benefits for uninsured low-income women. This clearly sends the message to the entire country that Michigan keeps its health care commitment to our citizens."

Highlights of House Bill 4392 include:

- \$ the appropriation of \$6.5 billion to support the Medicaid program, including Children's Special Health Care Services, which provides health care for nearly 1.3 million low-income people;
- \$ a provision of over \$2.2 billion to support mental health and substance abuse services – the continuation of this significant level of funding will support quality care for those most in need;
- \$ an appropriation of over \$644 million for other public health and aging programs; and
- \$ a one-time conditional appropriation of \$50 million for the Detroit Medical Center.

The Governor vetoed funding for hearing aid, podiatric and chiropractic services that the Legislature added to the budget for the coming year. While the veto of these important programs were difficult decisions for Granholm, she underscored that the state, unfortunately, cannot afford them at this time.

"I would like to thank the Legislature for their diligence and cooperation in making these budgets a win-win for the families of this state," said Governor Granholm. "Together, we have shown the citizens of Michigan that the challenges we face really can produce great results."

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